

Holland+Knight

Tel 212 513 3200
Fax 212 385 9010

Holland & Knight LLP
195 Broadway, 24th Floor
New York, NY 10007-3189
www.hklaw.com

JOHN J. REILLY
(212) 513-3488
john.reilly@hklaw.com

January 23, 2008

BY HAND DELIVERY

Hon. Victor Marrero
United States District Judge
Southern District of New York
500 Pearl Street, Room 660
New York, New York 10007

Re: Musket Corp. v. PDVSA Petroleo, S.A., et ano.
06 CV 15522 (VM)

Dear Judge Marrero:

We represent plaintiff Musket Corporation ("Musket") in the above-referenced matter. We submit this status report pursuant to this Court's Order dated January 17, 2008.

(1) Musket and defendant PDVSA Petroleo, S.A. ("PDVSA") have reached a settlement in principle which will include a dismissal of Musket's claims against PDVSA with prejudice. Counsel have exchanged draft settlement documents. The text of the releases have been agreed, and we hope to finalize the execution within two weeks. Please note, moreover, that we have provided a copy of this letter to PDVSA's counsel, Lizabeth L. Burrell, and she concurs with respect to that portion of this report which regards her client.

(2) Once PDVSA is dismissed, Musket intends promptly to file an Amended Complaint, amending its claims against defendant Advanced Engineering Development Ltd (which is in default in answering) and adding an additional defendant.

We reserve our rights, pursuant to Federal Rule of Evidence 408, with respect to the foregoing.

Thank you for your consideration with respect to this matter.

Respectfully submitted,


John J. Reilly

cc: Bernard V. Preziosi Jr., Esq.
Lizabeth L. Burrell, Esq.
Advanced Engineering Development Ltd. (via e-mail)